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Labor and Public Employees Committee
State of Connecticut General Assembly

Re: Raised Bill #5282

An Act Concerning Workers' Compensation and Small Business Owners

Dear Senator Osten, Representative Tercyak, and distinguished members of the Labor and Public Employees Committee,

I am honored to have been invited to speak with you today about this very important issue. With the encouragement and support of Senator McLachlan I am speaking with you about my understanding of the workers' compensation law and its effect on the small business owner.

The law as it stands today forces the small business owner to be subjected to annual audits that include not only business records but personal records including the owner's Schedule C and tax returns. During those audits records (business and personal) are taken off site and reviewed by the auditor. This leaves the business owner open to loss, theft or fraud at the hands of any auditor, with no assurance of security of personal information. Once the audit has been completed the insurance companies make the decision as to the amount (if any) of a refund that is allowed to the business owner. Even though there is most often a return processed, it is not seen by the business owner until the next premium is paid in full. Therefore, the small business owner is burdened with paying full premiums before a refund can be administered. This is typically a very high cost to the business owner. For example, my business must front the amount of \$1,290.00 for the year, with the hope that an audit will show a return of some substance,

typically \$900.00 for the business. This only happens after a field audit has been performed.

Additionally, the law as I understand it today forces sole proprietors/sole employees to waive their rights to Workers' Compensation in the event of an accident or injury on the job, due to the high cost of Workers' Compensation for said sole proprietor/sole employee. By allowing the owner to be considered an employee of the business, Workers' Compensation would cover that owner at a more affordable flat rate. Under the current law, there is no coverage for sole proprietors/sole employees who waive their Workers' Compensation rights, therefore no assurance that they will be "taken care of" should something happen on the job. Employees of the business would be covered, and in my opinion sole proprietors/sole employees should be afforded the same coverage and rights as employees.

The discussion points that I raise to you today are:

1. There is no clear definition or explanation of how much each "employee" or subcontractor without Workers' Compensation will cost to the small business owner. It seems to this business owner that there should be detailed line items in the policy that clearly state the costs of each type of employee. For example, in my trade the cost of covering the sole proprietor as an employee is currently approximately \$.28 on the dollar of the annual salary/wages earned by said sole proprietor.
2. I understand that each trade covered under Workers' Compensation has its own fee schedule based on the trade or craft it covers. Each trade would be better served by having an affordable flat based premium to include owners/sole proprietors as employees. For example, sole proprietors/sole employees would pay a set premium not relative to their salaries.
3. Additionally, when someone requests my Certificate of Insurance, which has workers compensation on it even though it doesn't cover me, isn't that a fraudulent document? When I brought this same question to the State of Connecticut Insurance Commission I was told the following. If I waive my right to workers

compensation then I am not supposed to be on the job site. This was the most mind blowing statement I ever heard! I am a sole proprietor, working for myself and by myself so how am I expected to get the job done or to do the work? His answer was to pay the \$8,000.00 and do the job legally. When I asked for suggestions to come up with the \$8,000.00 premium, I was told to pass the cost along to my customers. If that were the case, I would not be in business very long.

I thank you for your time and attention to this matter and I look forward to further clarification of this law.

Regards,

Michael J. Cormier